

EASTPOINTE HOUSING COMMISSION
EASTPOINTE, MICHIGAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2005
AND
REPORTS ON COMPLIANCE AND
ON INTERNAL CONTROL

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Eastpointe Housing Commission	County
Audit Date 6/30/05	Opinion Date 1/6/06	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).	✓		
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) Sailor, Khan & Co			
Street Address P.O. Box 16180	City St. Louis	State MO	ZIP 63105
Accountant Signature 		Date 3/20/06	

EASTPOINTE HOUSING COMMISSION
Eastpointe, Michigan

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Eastpointe Housing Commission
Eastpointe, Michigan

We have audited the accompanying basic financial statements of the Eastpointe Housing Commission, Michigan, (Commission) as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Eastpointe Housing Commission, Michigan, as of June 30, 2005, and the changes in its financial position and its cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2006, on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages ii to vi is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the remaining accompanying supplemental information including the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Sailor, Khan & Co.
January 6, 2006

Eastpointe Housing Commission

Management's Discussion and Analysis (MD&A)

June 30, 2005

(Unaudited)

This section of the Eastpointe Housing Commission (Commission) annual financial report presents our management's discussion and analysis of the Commission's financial performance during the fiscal year ended on June 30, 2005. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. Please read and consider the information presented in conjunction with the financial statements as a whole.

For accounting purposes, the Housing Commission is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector, where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

FINANCIAL HIGHLIGHTS

The term "net assets" refers to the difference between assets and liabilities. The Commission's total net assets as of June 30, 2005 were \$4,446,203. The net assets decreased by \$131,466, a decrease of 2.9% over the prior year.

Revenues and contributions for the Commission were \$1,605,752 for the year ended June 30, 2005. This was an increase of \$47,153 or 3.0% from the prior year.

Expenses for the Commission were \$1,737,272 for the year ended June 30, 2005. This was an increase of \$20,160 or 1.2% from the prior year.

HUD operating grants was \$1,069,300 for the year ended June 30, 2005. This was a decrease of \$62,255 or 5.8% over the prior year. Capital contributions for the Commission was \$109,252 for the year ended June 30, 2005. This was an increase of \$109,252 or 100% over the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report includes this *Management Discussion and Analysis* report, the *Basic Financial Statements* and the *Notes to the Financial Statements*. This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. The Commission's financial statements are presented as fund level financial statements because the Commission only has proprietary funds.

Required Financial Statements

The financial statements of the Housing Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities. The Statement of Net Assets includes all the Commission's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations of the Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

Management's Discussion and Analysis (MD&A) - Continued

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets. This statement measures the success of the Commission's operations over the past year and can be used to determine whether the Commission has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The final required financial statement is the Statement of Cash Flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements and provide more detailed data.

Supplemental Information

This report also contains the Financial Data Schedule (FDS) as referenced in the section of *Supplemental Information*. HUD has established *Uniform Financial Reporting Standards* that require Housing Commission's to submit financial information electronically to HUD using the FDS format. This financial information was electronically transmitted to the Real Estate Assessment Center (REAC) for the year ended June 30, 2005 and is required to be included in the audit reporting package

EASTPOINTE HOUSING COMMISSION PROGRAMS

Low Rent Public Housing: Under this program, the Housing Commission rents units that it owns to low-income elderly and family households. This program is operated under an Annual Contributions Contract with HUD. HUD provides Operating Subsidies to enable the Housing Commission to lease these units at a rate that is based on 30% of the household income.

Capital Fund Program: Under this program, the Housing Commission is awarded funds each year to use for Capital Needs. The Housing Commission also has the ability to use up to 100% of these funds, if need be, to supplement Operating Subsidies. This program is the primary funding source for physical improvements to its properties.

Section 8 Housing Choice Voucher Program: Under this program, the Housing Commission administers contracts with independent landlords to provide housing for low-income households. These units are not owned by the Housing Commission. The Housing Commission subsidizes the family's rent via a "Housing Assistance Payment" made directly to the landlord. HUD provides subsidy to the Housing Commission to enable the Housing Commission to set the rental rates at 30% of a participant's income.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS

Net assets may serve, over time, as a useful indicator of a government's financial position. As stated in the table below, assets exceeded liabilities by \$4,446,203 at the close of the year ended June 30, 2005 down from \$4,577,669 in 2004. The decrease in net assets of \$131,466 was due to the change in net assets for the year.

The unrestricted net assets were \$463,303 as of June 30, 2005. This amount may be used to meet the Commission's ongoing obligations. The Commission had no net assets classified as restricted that are subject to external restrictions on how they may be used. At the end of the current fiscal year, the Commission is able to report positive balances in all categories of net assets. The same situation held true for the prior fiscal year.

CONDENSED STATEMENTS OF NET ASSETS JUNE 30,

	2005	2004	Dollar Change	Percent Change
Current and other assets	\$ 603,449	\$ 699,215	\$ (95,766)	-13.7%
Capital assets	3,982,900	4,137,962	(155,062)	-3.7%
Total Assets	<u>4,586,349</u>	<u>4,837,177</u>	<u>(250,828)</u>	-5.2%
Current liabilities	126,974	252,661	(125,687)	-49.7%
Noncurrent liabilities	13,172	6,847	6,325	92.4%
Total Liabilities	<u>140,146</u>	<u>259,508</u>	<u>(119,362)</u>	-46.0%
Net Assets				
Invested in capital assets	3,982,900	4,137,962	(155,062)	-3.7%
Unrestricted	463,303	439,707	23,596	5.4%
Total Net Assets	<u>\$ 4,446,203</u>	<u>\$ 4,577,669</u>	<u>\$ (131,466)</u>	-2.9%

The largest portion of the Commission's net assets reflects its investment in capital assets (e.g. land, buildings and equipment) less accumulated depreciation. The Commission uses these capital assets to provide service and consequently these assets are not available to liquidate liabilities or other spending.

While the Statement of Net Assets shows the change in financial position of net assets, the Statements of Revenues, Expenses, and Changes in Net Assets provides answers as to the nature and source of these changes.

As can be seen in the table on the following page total revenues and contributions increased by \$47,153 due to increases in rental revenue and capital contributions which were partially offset by decreases in HUD operating grants , interest income and other income.

Management's Discussion and Analysis (MD&A) - Continued

FINANCIAL ANALYSIS (CONTINUED)

**CONDENSED STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

June 30, 2005

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Revenues and Contributions				
Operating - non-operating -capital contributions:				
Rental revenue	\$ 408,877	\$ 401,615	7,262	1.8%
HUD operating grants	1,069,300	1,134,555	(65,255)	-5.8%
Interest income	9,284	12,049	(2,765)	-22.9%
Capital Contributions	109,252	----	109,252	100.0%
Other income	9,039	10,380	(1,341)	-12.9%
Total Revenues and Contributions	<u>1,605,752</u>	<u>1,558,599</u>	<u>47,153</u>	3.0%
Expenses				
Personal services	366,709	337,515	29,194	8.7%
Utilities	184,160	165,117	19,043	11.5%
Operations and maintenance	91,539	106,545	(15,006)	-14.1%
Non routine maintenance	8,734	3,488	5,246	150.4%
Insurance	35,607	36,417	(810)	-2.2%
Other supplies and expenses	57,947	70,958	(13,011)	-18.3%
Housing assistance payments	725,312	742,121	(16,809)	-2.3%
Depreciation	267,264	254,951	12,313	4.8%
Total Expenses	<u>1,737,272</u>	<u>1,717,112</u>	<u>20,160</u>	1.2%
Change in net assets	(131,520)	(158,513)	26,993	
Beginning net assets	4,577,669	4,736,182	(158,513)	
Prior period adjustments	<u>54</u>	<u>----</u>	<u>54</u>	
Beginning net assets, adjusted	<u>4,577,723</u>	<u>4,736,182</u>	<u>(158,459)</u>	
Ending net assets	\$ <u>4,446,203</u>	\$ <u>4,577,669</u>	\$ <u>(131,466)</u>	

Total expenses for Commission increased by \$20,160 due to increases in personal services, utilities, non-routine maintenance, and depreciation, which were offset by decreases in operations and maintenance, insurance, other supplies and expenses and housing assistance payments.

Management's Discussion and Analysis (MD&A) - Continued

CAPITAL ASSETS

Capital Assets - The Eastpointe Housing Commission's investment in capital assets, as of June 30, 2005 amounts to \$3,982,900 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, equipment and construction in progress.

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION JUNE 30,

	<u>2005</u>	<u>2004</u>	<u>Dollar Change</u>
Land	\$ 239,525	\$ 239,525	\$ ----
Building	3,914,303	3,914,303	----
Furniture, equipment and machinery- dwelling	83,616	83,616	----
Furniture, equipment and machinery- administration	187,221	180,594	6,627
Leasehold improvements	<u>2,557,867</u>	<u>2,458,777</u>	<u>99,090</u>
	6,982,532	6,876,815	105,717
Accumulated depreciation	<u>2,999,632</u>	<u>2,738,853</u>	<u>260,779</u>
Total	<u>\$ 3,982,900</u>	<u>\$ 4,137,962</u>	<u>\$ (155,062)</u>

The total decrease in the Commission's capital assets for the current fiscal year was \$155,062 or 3.7% in terms of net book value. Actual expenditures to purchase equipment and construct capital assets were \$112,202 with retirements of \$6,485 for the year. Expenditures included computer system upgrades, parking lot improvements, including installation of a surveillance system, upgrade of fire panel monitoring system, modernization and new furniture of entry lobby and replacement of kitchen and bathroom flooring. The Commission has \$53,900 available in Capital Funds to draw down and spend in the future.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Housing Commission is primarily dependent upon HUD for the funding of operations; therefore, the Housing Commission is affected more by the Federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2006 Federal budget.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Commission's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Jody L. Wenz, Executive Director; Eastpointe Housing Commission; 15701 E. Nine Mile Rd.; Eastpointe, MI 48021

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

STATEMENT OF NET ASSETS

June 30, 2005

ASSETS

Current Assets:

Cash and cash equivalents	\$ 340,628.03
Investments	219,964.75
Receivable - net of allowances:	
Accounts	14,072.18
Accrued interest	7,535.00
Prepaid expenses	<u>21,249.16</u>
 Total Current Assets	 <u>603,449.12</u>

Noncurrent Assets:

Capital assets:

Land, improvements, and construction in progress	239,525.00
Other capital assets, net of depreciation	<u>3,743,375.24</u>
 Total capital assets- net	 <u>3,982,900.24</u>
 Total Noncurrent Assets	 <u>3,982,900.24</u>
 Total Assets	 \$ <u><u>4,586,349.36</u></u>

See notes to financial statements

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

STATEMENT OF NET ASSETS (CONTINUED)

June 30, 2005

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 68,505.56
Accrued salaries, wages and benefits	19,468.89
Accrued compensated absences	1,463.60
Tenant security deposit liability	37,379.53
Deferred revenues	<u>156.00</u>

Total Current Liabilities	<u>126,973.58</u>
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Noncurrent Liabilities:

Accrued compensated absences	<u>13,172.49</u>
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Total Noncurrent Liabilities	<u>13,172.49</u>
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Total Liabilities	<u>140,146.07</u>
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NET ASSETS

Invested in capital assets	3,982,900.24
Unrestricted	<u>463,303.05</u>

Total Net Assets	<u>4,446,203.29</u>
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Total Liabilities and Net Assets	<u>\$ 4,586,349.36</u>
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See notes to financial statements

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

For Year Ended June 30, 2005

Operating Revenues:

Rental revenue	\$ 408,877.51
Operating subsidies- HUD grants	1,069,300.00
Other revenues	<u>9,039.54</u>
Total operating revenues	<u>1,487,217.05</u>

Operating Expenses:

Personal services	366,709.46
Utilities	184,160.41
Operations and maintenance	91,538.84
Non routine maintenance	8,733.78
Insurance	35,606.44
Other supplies and expenses	57,947.39
Housing assistance payments	725,312.16
Depreciation	<u>267,263.85</u>

Total operating expenses 1,737,272.33

Operating income (loss) (250,055.28)

Non-operating revenues (expenses):

Interest and investment earnings 9,283.78

Net non-operating revenues (expenses) 9,283.78

Income (loss) before other revenues, expenses,
gains, losses and transfers (240,771.50)

Capital contributions 109,252.14

Change in net assets (131,519.36)

Net assets at beginning of year 4,577,668.73

Prior period error corrections 53.92

Net assets adjusted at beginning of year 4,577,722.65

Net assets at end of year \$ 4,446,203.29

See notes to financial statements

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

STATEMENT OF CASH FLOWS

For Year Ended June 30, 2005

Cash flows from operating activities:

Cash received from tenants	\$ 408,057.18
Cash received from HUD grants- operating	1,087,616.92
Cash received from other operating activities	9,039.54
Cash payments for goods and services	(1,173,560.16)
Cash payments to employees-salaries	(332,529.56)
Cash payments to employees-compensated absences	(0.46)
Cash payments for employee benefit contributions	<u>(98,980.46)</u>

Net cash provided (used) by operating activities	<u>(100,357.00)</u>
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Cash flows from capital and related financing activities:

Capital contributions	170,615.61
Payments for capital assets	<u>(112,202.14)</u>

Net cash (used) for capital and related financing activities	<u>58,413.47</u>
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Cash flows from investing activities:

Proceeds from sale of (payments) for investments	137,030.25
Interest and dividends	7,723.78
Receipts (payments) from tenant security deposits	<u>289.53</u>

Net cash provided (used) from investing activities	<u>145,043.56</u>
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Net increase (decrease) in cash and cash equivalents	103,100.03
Cash and cash equivalents at beginning of year	<u>237,528.00</u>

Cash and cash equivalents at end of year	<u><u>\$ 340,628.03</u></u>
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See notes to financial statements

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

STATEMENT OF CASH FLOWS (CONTINUED)

For Year Ended June 30, 2005

**Reconciliation of operating income (loss) to net cash
provided (used) by operating activities:**

Operating income (loss)	\$ (250,055.28)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	267,263.85
Changes in assets and liabilities:	
Receivables	90.67
Prepaid expenses	1,941.84
Accounts and other payables	(54,890.06)
Deferred revenues	93.00
Compensated absences	7,789.09
Accrued expenses	(72,590.11)
Net cash provided (used) by operating activities	<u>\$ (100,357.00)</u>

See notes to financial statements

Eastpointe, Michigan

June 30, 2005

The Eastpointe Housing Commission (Commission) is a non-profit entity established to provide low-rent housing, under the low rent program Annual Contributions Contract for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other Federal agencies.

1a. Financial Reporting Entity

Primary Government: Housing Commission

1b. Basis of Presentation

- 6 -

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1b. Basis of Presentation (Continued)

Following is a description of the Commission's programs:

Program	Brief Description
Low Rent	Accounts for activities of the Public and Indian Housing program which HUD provides an annual subsidy to help public housing agencies (PHAs) pay some of the cost of operating and maintaining public housing units.
Housing Choice Vouchers	Accounts for activities of the Voucher program which assists very low-income families, the elderly, and the disabled to afford decent, safe and sanitary housing in the private market.
Capital Fund Program	Accounts for activities of the Capital Fund which provides funds to housing authorities to modernize public housing developments.

1c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the financial statements, the "economic resources" measurement focus is used as follows:

- ▶ The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity

Cash and Investments

For the purpose of the Statement of Net Assets, "cash and cash equivalents" includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2b. and 3a.

Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. Offsetting interprograms are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Tenant accounts receivable, accrued interest receivable and accounts receivable from U.S. Department of Housing and Urban Development compose the majority of receivables. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

Inventories

Inventories are valued at average cost, and consist of expendable supplies held for consumption. The cost of inventories are recorded as expenditures when consumed, rather than when purchased.

Budgets and Budgetary Accounting

The Commission adopts a formal operating budget each year for its operating programs and on a project length basis for its capital expenditures which are approved by the Board of Commissioners and submitted to the Department of Housing and Urban Development for their approval, if required.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Estimates and Assumptions

The Commission uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses.

Capital Assets

The accounting treatment over property, plant, and equipment (capital assets) is as follows:

In the financial statements, capital assets purchased or acquired with an original cost of \$1,000 or more are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable, except for donated capital assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense depending on the program where the asset is shown, in the Statement of Revenues, Expenses and Changes in Net Assets, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	40	years
Furniture, equipment and machinery - dwelling	7	years
Furniture, equipment and machinery - administration	3 - 7	years
Leasehold improvements	15	years

Compensated Absences

The Housing Commission's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as short-term and long-term liabilities based on historical trends. In accordance with the provisions of GASB Statement No. 16, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - Summary of Significant Accounting Policies (Continued)

1d. Assets, Liabilities, and Equity (Continued)

Equity Classifications

Equity is classified as net assets and displayed in two components:

- a. Invested in capital assets, net of related debt—Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. The Commission had no related debt.
- b. Unrestricted net assets—All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

1e. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Non-operating revenues and expenses are those that are not operating in nature.

Interfund Transfers

For the purposes of the Statement of Revenues, Expenses and Change in Net Assets, all interfund transfers between individual programs, if any, have been eliminated.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - Stewardship, Compliance, and Accountability

The Commission and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Commission's compliance with significant laws and regulations and demonstration of its stewardship over Commission resources follows.

2a. Program Accounting Requirements

The Commission's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Commission are as follows:

Program	Required By
Public and Indian Housing	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development

2b. Deposits and Investments Laws and Regulations

In accordance with state law, all uninsured deposits of the Commission in financial institutions must be secured with acceptable collateral valued at the lower of market or par. All financial institutions pledging collateral to the Commission must have a written collateral agreement. As reflected in Note 3a., all deposits were fully insured or collateralized.

Investments of the Commission are limited by state law to the following:

- a. Direct obligations of the U.S. Government or its agencies or instrumentalities to which acceptable collateral is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral.

2c. Revenue Restrictions

The Commission has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<i>Revenue Source</i>	<i>Legal Restrictions of Use</i>
Capital Fund Program	Modernization

For the year ended June 30, 2005, the Commission complied, in all material respects, with these revenue restrictions.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

3a. Cash and Investments

Deposits

The Commission's policies regarding deposits of cash are discussed in Note 1d. The table presented below is designed to disclose the level of custody credit risk assumed by the Commission based upon how its deposits were insured or secured with collateral at June 30, 2005. The categories of credit risk are defined as follows:

Category 1—Insured by FDIC or collateralized with securities held by the Commission (or public trust) or by its agent in its name

Category 2—Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name

Category 3—Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Commission's name; or collateralized with no written or approved collateral agreement

Type of Deposits	Total Bank Balance	Custody Credit Risk			Total Carrying Value
		Category 1	Category 2	Category 3	
Demand deposits	\$ 343,317.33	\$ 343,317.33	\$ ----	\$ ----	\$ 340,478.03
Total Deposits	\$ <u>343,317.33</u>	\$ <u>343,317.33</u>	\$ <u>----</u>	\$ <u>----</u>	\$ <u>340,478.03</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3a. Cash and Investments (Continued)

Investments

The Commission's policies and applicable laws regarding investments are discussed in Notes 1d. and 2b. The table presented below is designed to disclose the level of market risk and custody credit risk assumed by the Commission (or public trust) based upon whether the investments are insured or registered and upon who holds the security at June 30, 2005. The categories of credit risk are defined as follows:

Category 1—Insured or registered with securities held by the Commission or its agent in the Commission's name

Category 2—Uninsured and unregistered with securities held by counterparty's trust department or agent in the Commission's name

Category 3—Uninsured and unregistered with securities held by the counterparty or by its trust department or agent but not in the Commission's name

	Custody Credit Risk			Carrying Amount	Fair Value
	Category 1	Category 2	Category 3		
U.S. Treasury Notes	\$ 219,964.75	\$ ----	\$ ----	\$ 219,964.75	\$ 219,964.75
	<u>\$ 219,964.75</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 219,964.75</u>	<u>\$ 219,964.75</u>

3b. Accounts Receivable

Receivables detail at June 30, 2005, is as follows:

Tenant accounts receivable	\$ 1,087.33
Allowance for doubtful accounts	<u>----</u>
Tenants accounts receivable - net	1,087.33
Accounts receivable - HUD	<u>12,984.85</u>
	<u>\$ 14,072.18</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3c. Capital Assets

Capital asset activity for the year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	(Retirements)	Balance June 30, 2005
Land	\$ 239,525.00	\$ ----	\$ ----	\$ 239,525.00
Building	3,914,303.43	----	----	3,914,303.43
Furniture, equipment and machinery- dwelling	83,616.00	----	----	83,616.00
Furniture, equipment and machinery- administration	180,593.74	13,111.69	(6,484.55)	187,220.88
Leasehold improvements	<u>2,458,776.97</u>	<u>99,090.45</u>	<u>----</u>	<u>2,557,867.42</u>
	6,876,815.14	<u>\$ 112,202.14</u>	<u>\$ (6,484.55)</u>	6,982,532.73
Accumulated depreciation	<u>2,738,853.19</u>	<u>\$ 267,263.85</u>	<u>\$ (6,484.55)</u>	<u>2,999,632.49</u>
Total	<u>\$ 4,137,961.95</u>			<u>\$ 3,982,900.24</u>

3d. Accounts Payable

Payable detail at June 30, 2005, is as follows:

Vendors	\$ 10,598.51
HUD	42,749.00
Accrued liabilities - other	<u>15,158.05</u>
	<u>\$ 68,505.56</u>

3e. Compensated Absences

Accumulated unpaid compensated absences are accrued. The liability for compensated absences at June 30, 2005 is \$14,636.09.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3f. Non-current Liabilities

As of June 30, 2005, the non-current liabilities are comprised of the following:

Accrued compensated absences - non current portion	\$ <u>13,172.49</u>
Total	\$ <u>13,172.49</u>

The following is a summary of changes in non-current liabilities for the year ended June 30, 2005:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2005</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ <u>6,847.00</u>	\$ <u>6,325.49</u>	\$ <u>----</u>	\$ <u>13,172.49</u>	\$ <u>1,463.60</u>
Total	\$ <u>6,847.00</u>	\$ <u>6,325.49</u>	\$ <u>----</u>	\$ <u>13,172.49</u>	\$ <u>1,463.60</u>

3g. Interprogram Transactions and Balances

Operating Transfers

	<u>Transfers in</u>	<u>Transfers out</u>
Public and Indian Housing - Low Rent	\$ <u>30,000.00</u>	\$ <u>----</u>
Capital Fund Program	<u>----</u>	<u>30,000.00</u>
Total	\$ <u>30,000.00</u>	\$ <u>30,000.00</u>

Transfers are used to move revenues from the program that is authorized to transfer them to the program in accordance with budgetary authorizations.

Interprogram Receivable/Payable

Public and Indian Housing - Low Rent	\$ <u>40,118.62</u>
Housing Choice Vouchers	<u>(27,133.77)</u>
Capital Fund Program	<u>(12,984.85)</u>
Total	\$ <u>----</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - Detail Notes on Transaction Classes/Accounts (Continued)

3h. Unrestricted net assets - Prior-period Error Corrections

Following is the composite of error corrections:

1. Accounts payable - HUD	\$ <u>53.92</u>
Totals	\$ <u><u>53.92</u></u>

NOTE 4 - Other Notes

4a. Employee Retirement Plan

A defined benefit retirement plan specifies the amount of retirement benefit based on a formula that takes into account the years of employment, highest final average compensation and a pension "multiplier". In this plan, the retiree's monthly benefit is not dependent upon investment performance. Benefits vest after ten years of service. The Housing Commission contributed 8.5 percent of covered payroll.

For the year ended June 30, 2005, the following amounts related to the defined contribution plan:

Commission total payroll	\$ 259,939.45
Payroll for covered employees	\$ 204,071.17
Employer (Commission) contributions made	\$ 17,346.05

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 4 - Other Notes (Continued)

4b. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees health and life; and natural disasters. The Commission manages these various risks of loss as follows:

Type of Loss	Method Managed
a. Torts, errors and omissions	Purchased insurance with Housing Authority Risk Retention Group, Inc.
b. Injuries to employees (workers' compensation)	Purchased insurance with Hinz Professional Insurance Program Managers Inc.; Claims are administered by Accident Fund Insurance Company of America.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$5,000.00 deductibles.
d. Health and life	Purchased health insurance with Blue Cross and Blue Shield of Michigan; Life insurance is provided by First Penn Pacific Life Insurance Company

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Commission. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

4c. Commitments and Contingencies

Commitments—Construction

At June 30, 2005, the Commission had the following pending construction projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
CFP 501-04	\$ <u>191,773.00</u>	\$ <u>137,873.14</u>
	\$ <u><u>191,773.00</u></u>	\$ <u><u>137,873.14</u></u>

Contingencies

The Commission is subject to possible examination by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Commission in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM

June 30, 2005

	Low Rent Program	Housing Choice Vouchers
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 268,342.59	\$ 72,285.44
Investments	219,964.75	-----
Receivable - net of allowances:		
Accounts	1,087.33	-----
Accrued interest	7,535.00	-----
Due from (to) interprogram	40,118.62	(27,133.77)
Prepaid expenses	21,249.16	-----
Total Current Assets	<u>558,297.45</u>	<u>45,151.67</u>
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	239,525.00	-----
Other capital assets, net of depreciation	3,610,135.41	-----
Total capital assets- net	<u>3,849,660.41</u>	-----
Total Noncurrent Assets	<u>3,849,660.41</u>	-----
Total Assets	<u>\$ 4,407,957.86</u>	<u>\$ 45,151.67</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

June 30, 2005

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 25,316.56	\$ 43,189.00
Accrued salaries, wages and benefits	19,468.89	-----
Accrued compensated absences	1,463.60	-----
Tenant security deposit liability	37,379.53	-----
Deferred revenues	156.00	-----
	<u>83,784.58</u>	<u>43,189.00</u>
Total Current Liabilities		
Noncurrent Liabilities:		
Accrued compensated absences	<u>13,172.49</u>	-----
	<u>13,172.49</u>	-----
Total Noneurrent Liabilities		
Total Liabilities	<u>96,957.07</u>	<u>43,189.00</u>
NET ASSETS		
Invested in capital assets	3,849,660.41	-----
Unrestricted	<u>461,340.38</u>	<u>1,962.67</u>
Total Net Assets	<u>4,311,000.79</u>	<u>1,962.67</u>
Total Liabilities and Net Assets	<u>\$ 4,407,957.86</u>	<u>\$ 45,151.67</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

June 30, 2005

	<u>Capital Fund Program</u>	<u>Totals</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ -----	\$ 340,628.03
Investments	-----	219,964.75
Receivable - net of allowances:		
Accounts	12,984.85	14,072.18
Accrued interest	-----	7,535.00
Due from (to) interprogram	(12,984.85)	-----
Prepaid expenses	-----	21,249.16
Total Current Assets	-----	603,449.12
Noncurrent Assets:		
Capital assets:		
Land, improvements, and construction in progress	-----	239,525.00
Other capital assets, net of depreciation	133,239.83	3,743,375.24
Total capital assets- net	133,239.83	3,982,900.24
Total Noncurrent Assets	133,239.83	3,982,900.24
Total Assets	\$ <u>133,239.83</u>	\$ <u>4,586,349.36</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF NET ASSETS BY PROGRAM (CONTINUED)

June 30, 2005

	<u>Capital Fund Program</u>	<u>Totals</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ -----	\$ 68,505.56
Accrued salaries, wages and benefits	-----	19,468.89
Accrued compensated absences	-----	1,463.60
Tenant security deposit liability	-----	37,379.53
Deferred revenues	-----	156.00
	<u>-----</u>	<u>-----</u>
Total Current Liabilities	-----	126,973.58
	<u>-----</u>	<u>-----</u>
Noncurrent Liabilities:		
Accrued compensated absences	-----	13,172.49
	<u>-----</u>	<u>-----</u>
Total Noncurrent Liabilities	-----	13,172.49
	<u>-----</u>	<u>-----</u>
Total Liabilities	-----	140,146.07
	<u>-----</u>	<u>-----</u>
NET ASSETS		
Invested in capital assets	133,239.83	3,982,900.24
Unrestricted	-----	463,303.05
	<u>-----</u>	<u>-----</u>
Total Net Assets	133,239.83	4,446,203.29
	<u>-----</u>	<u>-----</u>
Total Liabilities and Net Assets	\$ <u>133,239.83</u>	\$ <u>4,586,349.36</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM

For Year Ended June 30, 2005

	Low Rent Program	Housing Choice Vouchers
Operating Revenues:		
Rental revenue	\$ 408,877.51	\$ -----
Operating subsidies- HUD grants	236,293.00	801,007.00
Other revenues	8,333.29	706.25
	<hr/>	<hr/>
Total operating revenues	653,503.80	801,713.25
	<hr/>	<hr/>
Operating Expenses:		
Personal services	294,709.34	72,000.12
Utilities	184,160.41	-----
Operations and maintenance	91,538.84	-----
Non routine maintenance	8,733.78	-----
Insurance	35,606.44	-----
Other supplies and expenses	45,012.35	10,935.04
Housing assistance payments	-----	725,312.16
Depreciation	261,635.54	-----
	<hr/>	<hr/>
Total operating expenses	921,396.70	808,247.32
	<hr/>	<hr/>
Operating income (loss)	(267,892.90)	(6,534.07)
	<hr/>	<hr/>
Non-operating revenues (expenses):		
Interest and investment earnings	8,893.96	389.82
	<hr/>	<hr/>
Net non-operating revenues (expenses)	8,893.96	389.82
	<hr/>	<hr/>
Income (loss) before other revenues, expenses, gains, losses and transfers	(258,998.94)	(6,144.25)
	<hr/>	<hr/>
Operating transfers in (out)	30,000.00	-----
	<hr/>	<hr/>
Change in net assets	(228,998.94)	(6,144.25)
	<hr/>	<hr/>
Net assets at beginning of year	4,381,632.65	8,053.00
Prior period error corrections	-----	53.92
	<hr/>	<hr/>
Net assets adjusted at beginning of year	4,381,632.65	8,106.92
Equity transfers	158,367.08	-----
	<hr/>	<hr/>
Net assets at end of year	\$ 4,311,000.79	\$ 1,962.67
	<hr/>	<hr/>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF REVENUE, EXPENSES AND CHANGES IN FUND NET ASSETS BY PROGRAM (CONTINUED)

For Year Ended June 30, 2005

	Capital Fund Program	Totals
Operating Revenues:		
Rental revenue	\$ -----	\$ 408,877.51
Operating subsidies- HUD grants	32,000.00	1,069,300.00
Other revenues	-----	9,039.54
	<u>32,000.00</u>	<u>1,487,217.05</u>
Total operating revenues		
	<u>32,000.00</u>	<u>1,487,217.05</u>
Operating Expenses:		
Personal services	-----	366,709.46
Utilities	-----	184,160.41
Operations and maintenance	-----	91,538.84
Non routine maintenance	-----	8,733.78
Insurance	-----	35,606.44
Other supplies and expenses	2,000.00	57,947.39
Housing assistance payments	-----	725,312.16
Depreciation	5,628.31	267,263.85
	<u>7,628.31</u>	<u>1,737,272.33</u>
Total operating expenses		
	<u>7,628.31</u>	<u>1,737,272.33</u>
Operating income (loss)	<u>24,371.69</u>	<u>(250,055.28)</u>
Non-operating revenues (expenses):		
Interest and investment earnings	-----	9,283.78
	<u>-----</u>	<u>9,283.78</u>
Net non-operating revenues (expenses)		
	<u>-----</u>	<u>9,283.78</u>
Income (loss) before other revenues, expenses, gains, losses and transfers	24,371.69	(240,771.50)
Capital contributions	109,252.14	109,252.14
Operating transfers in (out)	(30,000.00)	-----
	<u>103,623.83</u>	<u>(131,519.36)</u>
Change in net assets		
	<u>103,623.83</u>	<u>(131,519.36)</u>
Net assets at beginning of year	187,983.08	4,577,668.73
Prior period error corrections	-----	53.92
	<u>187,983.08</u>	<u>4,577,722.65</u>
Net assets adjusted at beginning of year		
Equity transfers	(158,367.08)	-----
	<u>133,239.83</u>	<u>4,446,203.29</u>
Net assets at end of year	<u>\$ 133,239.83</u>	<u>\$ 4,446,203.29</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM

For Year Ended June 30, 2005

	Low Rent Program	Housing Choice Vouchers
Cash flows from operating activities:		
Cash received from tenants	\$ 408,057.18	\$ -----
Cash received from HUD grants- operating	236,293.00	819,323.92
Cash received from other operating activities	8,333.29	706.25
Cash payments for goods and services	(436,096.96)	(735,463.20)
Cash payments to employees-salaries	(276,069.44)	(56,460.12)
Cash payments to employees-compensated absences	(0.46)	-----
Cash payments for employee benefit contributions	(83,440.46)	(15,540.00)
Net cash provided (used) by operating activities	<u>(142,923.85)</u>	<u>12,566.85</u>
Cash flows from noncapital financing activities:		
Operating transfers in (out)	30,000.00	-----
Receipts (payments) from interprograms	<u>47,700.23</u>	<u>(47,700.23)</u>
Net cash provided (used) from non capital financing activities	<u>77,700.23</u>	<u>(47,700.23)</u>
Cash flows from capital and related financing activities:		
Receipts (payments) from interprograms	61,363.47	-----
Payments for capital assets	<u>(2,950.00)</u>	-----
Net cash (used) for capital and related financing activities	<u>58,413.47</u>	-----
Cash flows from investing activities:		
Proceeds from sale of (payments) for investments	137,030.25	-----
Interest and dividends	7,333.96	389.82
Receipts (payments) from tenant security deposits	<u>289.53</u>	-----
Net cash provided (used) from investing activities	<u>144,653.74</u>	<u>389.82</u>
Net increase (decrease) in cash and cash equivalents	137,843.59	(34,743.56)
Cash and cash equivalents at beginning of year	<u>130,499.00</u>	<u>107,029.00</u>
Cash and cash equivalents at end of year	<u>\$ 268,342.59</u>	<u>\$ 72,285.44</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended June 30, 2005

	<u>Low Rent Program</u>	<u>Housing Choice Vouchers</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (267,892.90)	\$ (6,534.07)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	261,635.54	-----
Changes in assets and liabilities:		
Receivables	(913.33)	1,004.00
Prepaid expenses	1,941.84	-----
Accounts and other payables	(72,986.98)	18,096.92
Deferred revenues	93.00	-----
Compensated absences	7,789.09	-----
Accrued expenses	(72,590.11)	-----
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ (142,923.85)</u>	<u>\$ 12,566.85</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended June 30, 2005

	Capital Fund Program	Totals
Cash flows from operating activities:		
Cash received from tenants	\$ -----	\$ 408,057.18
Cash received from HUD grants- operating	32,000.00	1,087,616.92
Cash received from other operating activities	-----	9,039.54
Cash payments for goods and services	(2,000.00)	(1,173,560.16)
Cash payments to employees-salaries	-----	(332,529.56)
Cash payments to employees-compensated absences	-----	(0.46)
Cash payments for employee benefit contributions	-----	(98,980.46)
Net cash provided (used) by operating activities	<u>30,000.00</u>	<u>(100,357.00)</u>
Cash flows from noncapital financing activities:		
Operating transfers in (out)	<u>(30,000.00)</u>	<u>-----</u>
Net cash provided (used) from non capital financing activities	<u>(30,000.00)</u>	<u>-----</u>
Cash flows from capital and related financing activities:		
Capital contributions	170,615.61	170,615.61
Receipts (payments) from interprograms	(61,363.47)	-----
Payments for capital assets	<u>(109,252.14)</u>	<u>(112,202.14)</u>
Net cash (used) for capital and related financing activities	<u>-----</u>	<u>58,413.47</u>
Cash flows from investing activities:		
Proceeds from sale of (payments) for investments	-----	137,030.25
Interest and dividends	-----	7,723.78
Receipts (payments) from tenant security deposits	<u>-----</u>	<u>289.53</u>
Net cash provided (used) from investing activities	<u>-----</u>	<u>145,043.56</u>
Net increase (decrease) in cash and cash equivalents	-----	103,100.03
Cash and cash equivalents at beginning of year	<u>-----</u>	<u>237,528.00</u>
Cash and cash equivalents at end of year	<u>\$ -----</u>	<u>\$ 340,628.03</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

COMBINING STATEMENT OF CASH FLOWS BY PROGRAM (CONTINUED)

For Year Ended June 30, 2005

	<u>Capital Fund Program</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 24,371.69	\$ (250,055.28)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	5,628.31	267,263.85
Changes in assets and liabilities:		
Receivables	----	90.67
Prepaid expenses	----	1,941.84
Accounts and other payables	----	(54,890.06)
Deferred revenues	----	93.00
Compensated absences	----	7,789.09
Accrued expenses	----	(72,590.11)
	<u> </u>	<u> </u>
Net cash provided (used) by operating activities	<u>\$ 30,000.00</u>	<u>\$ (100,357.00)</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
NOTES TO THE SCHEDULE OF FEDERAL AWARDS**

Year Ended June 30, 2005

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

<u>Fiscal Year</u>	<u>Federal Grantor</u>	<u>Federal CFDA No.</u>	<u>Expenditures</u>
	<u>U.S. Department of HUD</u>		
	Public and Indian Housing Nonmajor - Direct Program		
2005	Low Rent Program	14.850a	\$ <u>236,293.00</u>
	Low Income Public Housing Major - Direct Program		
2005	Housing Choice Vouchers	14.871	\$ <u>801,007.00</u>
	Public and Indian Housing Nonmajor - Direct Program		
2005	Capital Fund program	14.872	\$ <u>141,252.14</u>
	Total		\$ <u>1,178,552.14</u>

NOTES TO THE SCHEDULE OF FEDERAL AWARDS

NOTE 1 - Significant Accounting Policies

The schedule of federal awards has been prepared on the accrual basis of accounting.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

June 30, 2005

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-03</u>
Funds approved	\$ 165,558.00
Funds expended	<u>165,558.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 165,558.00
Funds expended	<u>165,558.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated June 13, 2005 submitted to HUD for approval is in agreement with the PHA's records as of June 30, 2005.
3. All costs have been paid and all related liabilities have been discharged through payments.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

**PHA'S STATEMENT AND CERTIFICATION OF
CAPITAL FUND PROGRAM COSTS**

June 30, 2005

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 502-03</u>
Funds approved	\$ 32,995.00
Funds expended	<u>32,995.00</u>
Excess of Funds Approved	\$ <u>-----</u>
Funds advanced	\$ 32,995.00
Funds expended	<u>32,995.00</u>
Excess (deficiency) of Funds Advanced	\$ <u>-----</u>

2. The costs as shown on the Actual Cost Certificate dated January 24, 2005 submitted to HUD for approval is in agreement with the PHA's records as of June 30, 2005.
3. All costs have been paid and all related liabilities have been discharged through payments.

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

FINANCIAL DATA SCHEDULE

Year Ended June 30, 2005

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	Assets:		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ 268,342.59	\$ 72,285.44
100	Total cash	268,342.59	72,285.44
	Accounts and notes receivable:		
126	Accounts receivable- tenants-dwelling rents	1,087.33	----
129	Accrued interest receivable	7,535.00	----
120	Total receivables, net of allowance for doubtful accounts	8,622.33	----
	Current investments:		
131	Investments-unrestricted	219,964.75	----
142	Prepaid expenses and other assets	21,249.16	----
144/ (347)	Interprogram due from	40,118.62	(27,133.77)
150	Total current assets	558,297.45	45,151.67
	Noncurrent Assets:		
	Fixed assets:		
161	Land	239,525.00	----
162	Buildings	3,914,303.43	----
163	Furniture, equipment and machinery-dwellings	83,616.00	----
164	Furniture, equipment and machinery-administration	177,059.19	----
165	Leasehold improvements	2,429,160.97	----
166	Accumulated depreciation	(2,994,004.18)	----
160	Total fixed assets, net of accumulated depreciation	3,849,660.41	----
180	Total noncurrent assets	3,849,660.41	----
190	Total Assets	\$ 4,407,957.86	\$ 45,151.67

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2005

FDS Line Item No.	Low Rent Program <u>14.850a</u>	Housing Choice Vouchers <u>14.871</u>
Liabilities and Equity:		
Liabilities:		
Current Liabilities:		
312 Accounts payable < 90 days	\$ (10,158.51)	\$ (440.00)
321 Accrued wage / payroll taxes payable	(19,468.89)	----
322 Accrued compensated absences- current portion	(1,463.60)	----
331 Accounts payable -HUD PHA programs	----	(42,749.00)
341 Tenant security deposits	(37,379.53)	----
342 Deferred revenues	(156.00)	----
346 Accrued liabilities-other	<u>(15,158.05)</u>	<u>----</u>
310 Total current liabilities	<u>(83,784.58)</u>	<u>(43,189.00)</u>
Noncurrent Liabilities:		
354 Accrued compensated absences- non current portion	<u>(13,172.49)</u>	<u>----</u>
350 Total noncurrent liabilities	<u>(13,172.49)</u>	<u>----</u>
300 Total liabilities	<u>(96,957.07)</u>	<u>(43,189.00)</u>
Equity:		
508.1 Investment in capital assets , Net of Related Debt	<u>(3,849,660.41)</u>	<u>----</u>
512.1 Unrestricted Net Assets	<u>(461,340.38)</u>	<u>(1,962.67)</u>
600 Total Liabilities and Equity	<u>\$ (4,407,957.86)</u>	<u>\$ (45,151.67)</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2005

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	Revenue:		
703	Net rental revenue	\$ (405,388.00)	\$ -----
704	Tenant revenue-other	<u>(3,645.00)</u>	<u>-----</u>
705	Total tenant revenue	<u>(409,033.00)</u>	<u>-----</u>
706	HUD PHA operating grants	(236,293.00)	(801,007.00)
711	Investment income-unrestricted	(8,893.96)	(389.82)
714	Fraud recovery	-----	(117.25)
715	Other revenue	<u>(8,333.29)</u>	<u>(589.00)</u>
700	Total revenue	<u>(662,553.25)</u>	<u>(802,103.07)</u>
	Expenses:		
	Administrative		
911	Administrative salaries	88,635.60	56,460.12
912	Auditing fees	3,750.00	-----
914	Compensated absences	7,789.55	-----
915	Employee benefit contributions-administrative	36,213.00	15,540.00
916	Other operating-administrative	35,304.02	10,935.04
	Tenant services		
924	Tenant services-other	5,958.33	-----
	Utilities		
931	Water	27,681.24	-----
932	Electricity	80,451.92	-----
933	Gas	76,027.25	-----
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	114,843.73	-----
942	Ordinary maintenance and operation-materials & other	24,572.71	-----
943	Ordinary maintenance and operation-contract costs	66,966.13	-----
945	Employee benefit contributions-ordinary maintenance	47,227.46	-----

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2005

FDS Line Item No.		Low Rent Program 14.850a	Housing Choice Vouchers 14.871
	General expenses		
961	Insurance premiums	35,606.44	-----
964	Bad debts- tenant rents	155.49	-----
969	Total operating expenses	<u>651,182.87</u>	<u>82,935.16</u>
970	Excess (deficit) operating revenue over operating expenses	<u>11,370.38</u>	<u>719,167.91</u>
971	Extraordinary maintenance	8,733.78	-----
973	Housing assistance payments	-----	725,312.16
974	Depreciation expense	<u>261,635.54</u>	-----
	Total expenses other than total operating	<u>270,369.32</u>	<u>725,312.16</u>
	Excess (deficit) of revenue over expenses before		
1000	operating transfers in (out) and depreciation add back	(258,998.94)	(6,144.25)
1001	Operating transfers in	<u>30,000.00</u>	-----
	Excess (deficit) of revenue over expenses after		
	operating transfers in (out) and depreciation add back	<u>\$ (228,998.94)</u>	<u>\$ (6,144.25)</u>

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	Assets:		
	Current Assets:		
	Cash		
111	Cash-unrestricted	\$ -----	\$ 340,628.03
100	Total cash	-----	340,628.03
	Accounts and notes receivable:		
122	Accounts receivable-HUD	12,984.85	12,984.85
126	Accounts receivable- tenants-dwelling rents	-----	1,087.33
129	Accrued interest receivable	-----	7,535.00
120	Total receivables, net of allowance for doubtful accounts	12,984.85	21,607.18
	Current investments:		
131	Investments-unrestricted	-----	219,964.75
142	Prepaid expenses and other assets	-----	21,249.16
144/ (347)	Interprogram due from	(12,984.85)	-----
150	Total current assets	-----	603,449.12
	Noncurrent Assets:		
	Fixed assets:		
161	Land	-----	239,525.00
162	Buildings	-----	3,914,303.43
163	Furniture, equipment and machinery-dwellings	-----	83,616.00
164	Furniture, equipment and machinery-administration	10,161.69	187,220.88
165	Leasehold improvements	128,706.45	2,557,867.42
166	Accumulated depreciation	(5,628.31)	(2,999,632.49)
160	Total fixed assets, net of accumulated depreciation	133,239.83	3,982,900.24
180	Total noncurrent assets	133,239.83	3,982,900.24
190	Total Assets	\$ 133,239.83	\$ 4,586,349.36

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	Liabilities and Equity:		
	Liabilities:		
	Current Liabilities:		
312	Accounts payable < 90 days	\$ -----	\$ (10,598.51)
321	Accrued wage / payroll taxes payable	-----	(19,468.89)
322	Accrued compensated absences- current portion	-----	(1,463.60)
331	Accounts payable -HUD PHA programs	-----	(42,749.00)
341	Tenant security deposits	-----	(37,379.53)
342	Deferred revenues	-----	(156.00)
346	Accrued liabilities-other	-----	(15,158.05)
310	Total current liabilities	-----	(126,973.58)
	Noncurrent Liabilities:		
354	Accrued compensated absences- non current portion	-----	(13,172.49)
350	Total noncurrent liabilities	-----	(13,172.49)
300	Total liabilities	-----	(140,146.07)
	Equity:		
508.1	Investment in capital assets , Net of Related Debt	(133,239.83)	(3,982,900.24)
512.1	Unrestricted Net Assets	-----	(463,303.05)
600	Total Liabilities and Equity	\$ (133,239.83)	\$ (4,586,349.36)

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	Revenue:		
703	Net rental revenue	\$ -----	\$ (405,388.00)
704	Tenant revenue-other	-----	(3,645.00)
705	Total tenant revenue	-----	(409,033.00)
706	HUD PHA operating grants	(32,000.00)	(1,069,300.00)
706.1	HUD PHA capital grants	(109,252.14)	(109,252.14)
711	Investment income-unrestricted	-----	(9,283.78)
714	Fraud recovery	-----	(117.25)
715	Other revenue	-----	(8,922.29)
700	Total revenue	(141,252.14)	(1,605,908.46)
	Expenses:		
	Administrative		
911	Administrative salaries	-----	145,095.72
912	Auditing fees	-----	3,750.00
914	Compensated absences	-----	7,789.55
915	Employee benefit contributions-administrative	-----	51,753.00
916	Other operating-administrative	2,000.00	48,239.06
	Tenant services		
924	Tenant services-other	-----	5,958.33
	Utilities		
931	Water	-----	27,681.24
932	Electricity	-----	80,451.92
933	Gas	-----	76,027.25
	Ordinary maintenance and operation		
941	Ordinary maintenance and operation-labor	-----	114,843.73
942	Ordinary maintenance and operation-materials & other	-----	24,572.71
943	Ordinary maintenance and operation-contract costs	-----	66,966.13
945	Employee benefit contributions-ordinary maintenance	-----	47,227.46

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

FINANCIAL DATA SCHEDULE (CONTINUED)

Year Ended June 30, 2005

FDS Line Item No.		Capital Fund Program 14.872	Total
	General expenses		
961	Insurance premiums	-----	35,606.44
964	Bad debts- tenant rents	-----	155.49
969	Total operating expenses	2,000.00	736,118.03
970	Excess (deficit) operating revenue over operating expenses	139,252.14	869,790.43
971	Extraordinary maintenance	-----	8,733.78
973	Housing assistance payments	-----	725,312.16
974	Depreciation expense	5,628.31	267,263.85
	Total expenses other than total operating	5,628.31	1,001,309.79
	Excess (deficit) of revenue over expenses before		
1000	operating transfers in (out) and depreciation add back	133,623.83	(131,519.36)
1001	Operating transfers in	-----	30,000.00
1002	Operating transfers out	(30,000.00)	(30,000.00)
	Excess (deficit) of revenue over expenses after		
	operating transfers in (out) and depreciation add back	\$ 103,623.83	\$ (131,519.36)

**Report on Compliance and on Internal Control Over Financial Reporting Based
on an Audit of Financial Statements Performed in Accordance with
*Government Auditing Standards***

Board of Commissioners
Eastpointe Housing Commission
Eastpointe, Michigan

We have audited the financial statements of the Eastpointe Housing Commission, Michigan, (Commission) as of and for the year ended June 30, 2005, and have issued our report thereon dated January 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

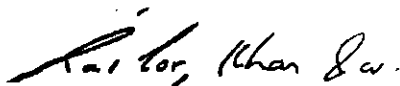
Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Eastpointe Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.
January 6, 2006

**Report on Compliance with Requirements Applicable to Each Major Program and
Internal Control over Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Eastpointe Housing Commission
Eastpointe, Michigan

Compliance

We have audited the compliance of the Eastpointe Housing Commission, Michigan, (Commission) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Commission's management. Our responsibility is to express an opinion on the Commission's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Commission compliance with those requirements.

In our opinion, the Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005. The results of our auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

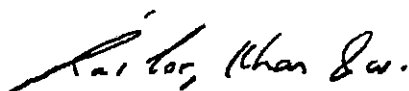
The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Sailor

Khan & Co.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Eastpointe Housing Commission, Michigan's management, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Sailor, Khan & Co.
January 6, 2006

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

STATUS OF PRIOR AUDIT FINDINGS

June 30, 2005

The prior audit report for the year ended June 30, 2004 contained three audit findings:

Finding: Tenant Income Discrepancies - Section 8 Housing Choice Vouchers program
Status: Implemented

Finding: Credit Card Policy
Status: Implemented

Finding: Longevity Pay Not Included on Employee's Payroll
Status: Implemented

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2005

SECTION I - SUMMARY OF AUDITOR RESULTS

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No
Is a "going concern" explanatory paragraph included in audit report?	No

Federal Awards:

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Reportable condition(s) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) on Circular A-133?	No
Identification of major programs:	

CFDA

Number(s)	Name of Federal Program
14-871	Section 8 Housing Choice Vouchers

Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

EASTPOINTE HOUSING COMMISSION

Eastpointe, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

June 30, 2005

SECTION II - FINANCIAL STATEMENT FINDINGS

The current audit report for the year ended June 30, 2005 disclosed no Financial Statement audit findings.

SECTION III - FEDERAL AWARD FINDINGS

The current audit report for the year ended June 30, 2005 disclosed no Federal Awards audit findings.

QUESTIONED COSTS

None